

TREYNOR COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2007

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Treynor Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2006 Election)</b>		
Neal Anderson	President	2008
Douglas Klahn	Vice President	2006
James Murray	Board Member	2006
Joshua Gutttau	Board Member	2007
Jerry Hempel	Board Member	2007
<b>Board of Education (After September 2006 Election)</b>		
Jerry Hempel	President	2007
Joshua Gutttau	Vice President	2007
Neal Anderson	Board Member	2008
Gary Funkhouser	Board Member	2009
Sally Myers	Board Member	2009
<b>School Officials</b>		
Kevin Elwood	Superintendent	2007
Robert Gronstal	Board Secretary/ District Treasurer	2007
Joe Thornton	Attorney	2007

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Trey nor Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Trey nor Community School District, Trey nor, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

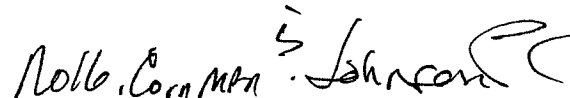
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Trey nor Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 18, 2008 on our consideration of the Trey nor Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Treynor Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2006 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 18, 2008

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Treynor Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$4,142,305 in fiscal 2006 to \$4,565,377 in fiscal 2007, while General Fund expenditures increased from \$4,227,755 in fiscal 2006 to \$4,691,698 in fiscal 2007. This resulted in a decrease in the District's General Fund balance from \$401,559 in fiscal 2006 to a balance of \$275,238 in fiscal 2007, a 31.46% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in local sources in fiscal 2007. The increase in expenditures was due primarily to an increase in the instruction functional area.
- October 2006 Certified Enrollment count resulted in a increase of 33.3 students, representing a 5.90% increase compared to the prior year.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Treynor Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Treynor Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Treynor Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

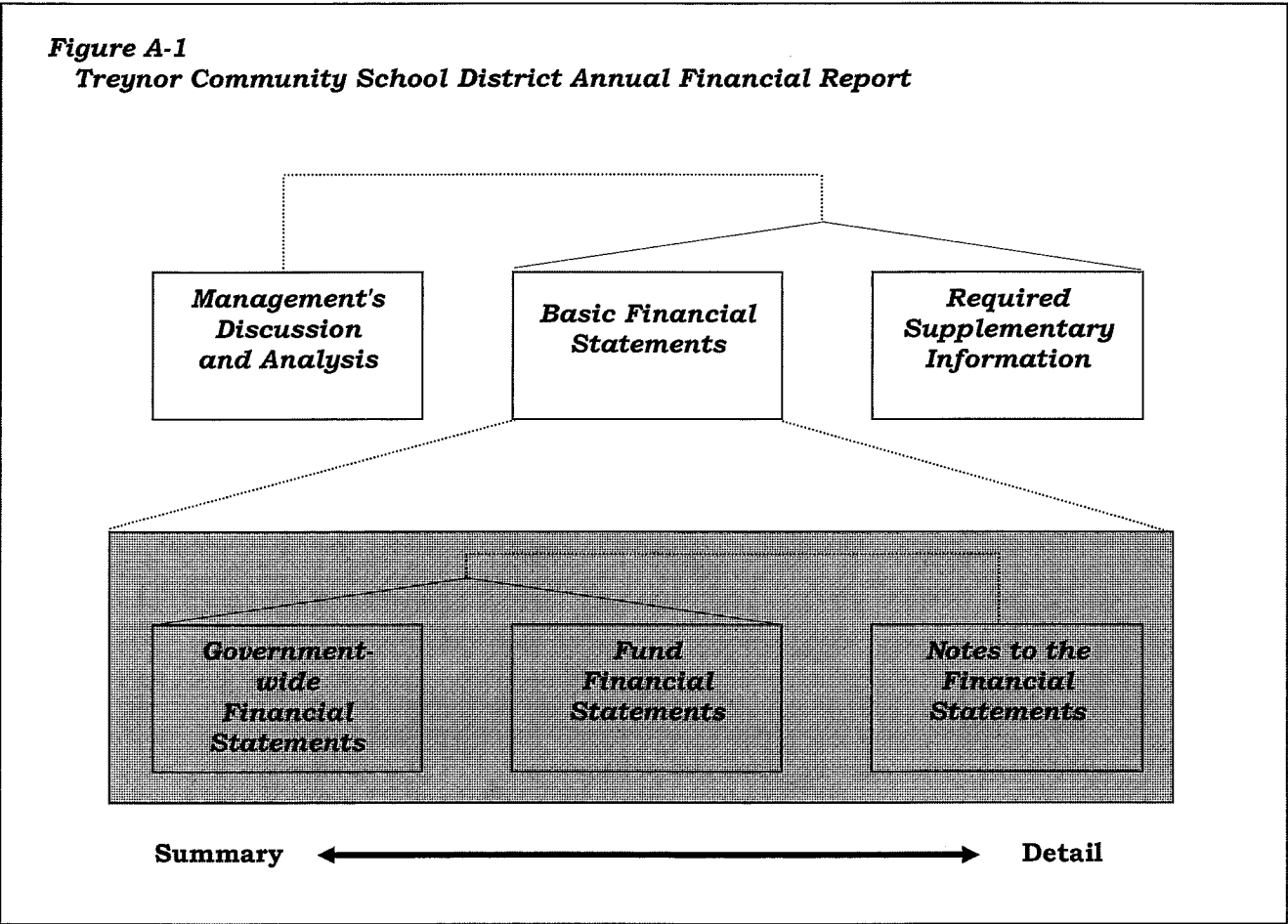


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the



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District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Capital Projects Fund and Special Revenue Funds.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 8,590,094	3,776,073	78,017	56,027	8,668,111	3,832,100	126.20%
Capital assets	7,642,337	7,529,373	26,182	41,840	7,668,519	7,571,213	1.29%
Total assets	16,232,431	11,305,446	104,199	97,867	16,336,630	11,403,313	43.26%
Long-term obligations	8,794,733	4,485,000	0	0	8,794,733	4,485,000	96.09%
Other liabilities	2,797,228	2,345,941	4,614	15,387	2,801,842	2,361,328	18.66%
Total liabilities	11,591,961	6,830,941	4,614	15,387	11,596,575	6,846,328	69.38%
Net assets:							
Invested in capital assets, net of related debt	3,416,764	3,044,373	26,182	41,840	3,442,946	3,086,213	11.56%
Restricted	1,014,035	1,028,573	0	0	1,014,035	1,028,573	-1.41%
Unrestricted	209,671	401,559	73,403	40,640	283,074	442,199	-35.98%
Total net assets	\$ 4,640,470	4,474,505	99,585	82,480	4,740,055	4,556,985	4.02%

The District's combined net assets increased by 4.02%, or \$183,070, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$14,538, or 1.41% over the prior year. The decrease was primarily a result of the District's reclassifying the balance in the Capital Projects Fund balance from the invested in capital asset line, due also in part to the issuance of bonds of \$4,700,000.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$159,125, or 35.98%. This decrease in unrestricted net assets was primarily a result the District spending a portion prior year's fund balance to fund increased costs of operation.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 964,968	917,424	206,562	196,664	1,171,530	1,114,088	5.16%
Operating grants and contributions and restricted interest	481,501	439,367	77,436	73,122	558,937	512,489	9.06%
General revenues:							
Property tax	1,795,587	1,543,457	0	0	1,795,587	1,543,457	16.34%
Local option sales and services tax	412,893	467,563	0	0	412,893	467,563	-11.69%
Unrestricted state grants	1,972,399	1,849,473	0	0	1,972,399	1,849,473	6.65%
Other	87,179	89,486	302	337	87,481	89,823	-2.61%
Total revenues	5,714,527	5,306,770	284,300	270,123	5,998,827	5,576,893	7.57%
Program expenses:							
Governmental activities:							
Instructional	3,370,661	2,975,800	0	0	3,370,661	2,975,800	13.27%
Support services	1,490,930	1,376,186	0	0	1,490,930	1,376,186	8.34%
Non-instructional programs	3,936	15,388	267,195	262,310	271,131	277,698	-2.36%
Other expenditures	683,035	722,921	0	0	683,035	722,921	-5.52%
Total expenses	5,548,562	5,090,295	267,195	262,310	5,815,757	5,352,605	8.65%
Changes in net assets	165,965	216,475	17,105	7,813	183,070	224,288	-18.38%
Beginning net assets	4,474,505	4,258,030	82,480	74,667	4,556,985	4,332,697	5.18%
Ending net assets	\$ 4,640,470	4,474,505	99,585	82,480	4,740,055	4,556,985	4.02%

In fiscal 2007, property tax, local option sales and services tax and unrestricted state grants account for 73.16% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.89% of the revenue from business type activities.

The District's total revenues were approximately \$6.0 million of which \$5.7 million was for governmental activities and less than \$0.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.57% increase in revenues and a 8.65% increase in expenses. The increase in expenses related to increase in the negotiated salary and benefits, as well as increases in utilities and transportation costs.

### Governmental Activities

Revenues for governmental activities were \$5,714,527 and expenses were \$5,548,562.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 3,370,661	2,975,800	13.27%	2,111,267	1,799,755	17.31%
Support services	1,490,930	1,376,186	8.34%	1,477,634	1,353,192	9.20%
Non-instructional programs	3,936	15,388	-74.42%	3,936	15,388	-74.42%
Other expenses	683,035	722,921	-5.52%	509,256	565,169	-9.89%
Totals	\$ 5,548,562	5,090,295	9.00%	4,102,093	3,733,504	9.87%

- The cost financed by users of the District's programs was \$964,968.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$481,501.
- The net cost of governmental activities was financed with \$1,795,587 in property tax, \$412,893 in local option sales and services tax, \$1,972,399 in unrestricted state grants, \$67,030 in interest income, \$3,284 in refund of prior year's expenditures and \$16,865 as miscellaneous income.

### Business-Type Activities

Revenues of the District's business-type activities were \$284,300 and expenses were \$267,195. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Treynor Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$5,830,448, above last year's ending fund balances of \$1,453,933. However, the primary reason for the increase in combined fund balances in fiscal 2007 is due to the issuance of \$4,700,000 in General Obligation Bonds in the Capital Projects Fund.

### Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Overall, District revenues for fiscal 2007 increased 10.21%, or \$423,072, as compared to one year ago. However, the expenses rising by 10.97%, or \$463,943, from one year ago ensured the financial position of the General Fund would decline. The General Fund balance decreased \$126,321.
- The Capital Projects Fund balance increased from \$799,243 in fiscal 2006 to \$5,250,459 in fiscal 2007. This is due to the issuance of General Obligation Bonds to be used in the High School Addition construction project started during the year.
- The Debt Service Fund balance increased from \$59,385 in fiscal 2006 to \$61,716 in fiscal 2007. The increase is due to normal debt transactions through the year.

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## Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$82,480 at June 30, 2006 to \$99,585 at June 30, 2007, representing an increase of 20.74%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$338,858 less than budgeted revenues, a variance of 5.35%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2007, the District had invested \$7,668,519, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$334,558.

The original cost of the District's capital assets was \$11.48 million. Governmental funds account for \$11.41 million with the remainder of \$0.07 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$309,211 at June 30, 2007, compared to \$0 reported at June 30, 2006. This increase resulted from the start of construction on the addition at the high school.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 250,401	180,051	0	0	250,401	180,051	28.09%
Construction in progress	309,211	0	0	0	309,211	0	100.00%
Buildings	6,642,956	6,874,846	0	0	6,642,956	6,874,846	-3.49%
Land improvements	184,686	183,711	0	0	184,686	183,711	0.53%
Machinery and equipment	255,083	290,765	26,182	41,840	281,265	332,605	-18.25%
Total	\$ 7,642,337	7,529,373	26,182	41,840	7,668,519	7,571,213	1.27%

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## Long-Term Debt

At June 30, 2007, the District had \$8,794,733 in general obligation, revenue and other long-term debt outstanding. This represents an increase of 96.09% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

In February 2007, the District's voters authorized the issuance of \$4,700,000 in general obligation bonds to pay for construction of a high school addition. The District had total outstanding general obligation bonded indebtedness of \$7,960,000 at June 30, 2007.

The District had total outstanding revenue bonded indebtedness of \$825,000 at June 30, 2007.

The District had total outstanding compensated absences payable from the General Fund of \$9,733 at June 30, 2007.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2007	2006	
General obligation bonds	\$ 7,960,000	3,515,000	126.46%
Revenue bonds	825,000	970,000	-14.95%
Compensated absences	9,733	0	100.00%
Total	<u>\$ 8,794,733</u>	<u>4,485,000</u>	<u>96.09%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Low allowable growth over several years and enrollment decreases in the past has negatively impacted the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period beginning in fiscal year 2005.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Robert Gronstal, Board Secretary, Treynor Community School District, 102 East Main Street, P.O. Box 369, Treynor, Iowa, 51575.

## BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 373,409	0	373,409
Other	6,195,662	71,893	6,267,555
Receivables:			
Property tax:			
Delinquent	12,785	0	12,785
Succeeding year	1,917,967	0	1,917,967
Accrued ISCAP interest(Note 4)	20,963	0	20,963
Due from other governments	69,308	0	69,308
Inventories	0	6,124	6,124
Capital assets, net of accumulated depreciation(Note 5)	7,642,337	26,182	7,668,519
<b>TOTAL ASSETS</b>	<b>16,232,431</b>	<b>104,199</b>	<b>16,336,630</b>
<b>LIABILITIES</b>			
Accrued interest payable	37,582	0	37,582
Salaries and benefits payable	447,737	0	447,737
ISCAP warrants payable(Note 4)	374,000	0	374,000
ISCAP interest payable(Note 4)	17,167	0	17,167
ISCAP unamortized premiums payable	2,775	0	2,775
Deferred revenue:			
Succeeding year property tax	1,917,967	0	1,917,967
Unearned revenue	0	4,614	4,614
Long-term liabilities(Note 6):			
Portion due within one year:			
General obligation bonds payable	265,000	0	265,000
Compensated absences payable	9,733	0	9,733
Portion due after one year:			
General obligation bonds payable	7,695,000	0	7,695,000
Revenue bonds payable	825,000	0	825,000
<b>TOTAL LIABILITIES</b>	<b>11,591,961</b>	<b>4,614</b>	<b>11,596,575</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,416,764	26,182	3,442,946
Restricted for:			
Debt service	199,216	0	199,216
Talented and gifted	11,056	0	11,056
Professional development	2,433	0	2,433
Market factor	4,082	0	4,082
Early intervention	681	0	681
Capital projects	553,532	0	553,532
Management levy	6,400	0	6,400
Physical plant and equipment levy	197,710	0	197,710
Other special revenue purposes	38,925	0	38,925
Unrestricted	209,671	73,403	283,074
<b>TOTAL NET ASSETS</b>	<b>\$ 4,640,470</b>	<b>99,585</b>	<b>4,740,055</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.



TREYNOR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,605,743	736,626	272,632	(1,596,485)	0	(1,596,485)
Special instruction	337,545	47,421	28,221	(261,903)	0	(261,903)
Other instruction	427,373	174,494	0	(252,879)	0	(252,879)
	<u>3,370,661</u>	<u>958,541</u>	<u>300,853</u>	<u>(2,111,267)</u>	<u>0</u>	<u>(2,111,267)</u>
Support services:						
Student services	93,121	0	0	(93,121)	0	(93,121)
Instructional staff services	141,035	0	0	(141,035)	0	(141,035)
Administration services	489,113	0	0	(489,113)	0	(489,113)
Operation and maintenance of plant services	509,924	0	0	(509,924)	0	(509,924)
Transportation services	257,737	6,427	6,869	(244,441)	0	(244,441)
	<u>1,490,930</u>	<u>6,427</u>	<u>6,869</u>	<u>(1,477,634)</u>	<u>0</u>	<u>(1,477,634)</u>
Non-instructional programs	3,936	0	0	(3,936)	0	(3,936)
Other expenditures:						
Long-term debt interest	265,941	0	0	(265,941)	0	(265,941)
AEA flowthrough	173,779	0	173,779	0	0	0
Depreciation(unallocated)*	243,315	0	0	(243,315)	0	(243,315)
	<u>683,035</u>	<u>0</u>	<u>173,779</u>	<u>(509,256)</u>	<u>0</u>	<u>(509,256)</u>
Total governmental activities	5,548,562	964,968	481,501	(4,102,093)	0	(4,102,093)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	267,195	206,562	77,436	0	16,803	16,803
Total business-type activities	<u>267,195</u>	<u>206,562</u>	<u>77,436</u>	<u>0</u>	<u>16,803</u>	<u>16,803</u>
Total	<u>\$ 5,815,757</u>	<u>1,171,530</u>	<u>558,937</u>	<u>(4,102,093)</u>	<u>16,803</u>	<u>(4,085,290)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,351,663	0	1,351,663
Debt service				398,235	0	398,235
Capital outlay				45,689	0	45,689
Local option sales and services tax				412,893	0	412,893
Unrestricted state grants				1,972,399	0	1,972,399
Unrestricted investment earnings				67,030	302	67,332
Refund of prior year's expenditures				3,284	0	3,284
Miscellaneous				16,865	0	16,865
Total general revenues				<u>4,268,058</u>	<u>302</u>	<u>4,268,360</u>
Changes in net assets				165,965	17,105	183,070
Net assets beginning of year				4,474,505	82,480	4,556,985
Net assets end of year				<u>\$ 4,640,470</u>	<u>99,585</u>	<u>4,740,055</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TREYNOR COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
<b>ASSETS</b>					
Cash and pooled investments:					
ISCAP(Note 4)	\$ 373,409	0	0	0	373,409
Other	709,695	5,184,038	60,169	241,760	6,195,662
Receivables:					
Property tax:					
Delinquent	9,963	0	1,547	1,275	12,785
Succeeding year	1,400,200	0	398,462	119,305	1,917,967
Accrued ISCAP interest(Note 4)	20,963	0	0	0	20,963
Due from other governments	2,887	66,421	0	0	69,308
<b>TOTAL ASSETS</b>	<b>\$ 2,517,117</b>	<b>5,250,459</b>	<b>460,178</b>	<b>362,340</b>	<b>8,590,094</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Salaries and benefits payable	\$ 447,737	0	0	0	447,737
ISCAP warrants payable(Note 4)	374,000	0	0	0	374,000
ISCAP interest payable(Note 4)	17,167	0	0	0	17,167
ISCAP unamortized premiums payable	2,775	0	0	0	2,775
Deferred revenue:					
Succeeding year property tax	1,400,200	0	398,462	119,305	1,917,967
Total liabilities	2,241,879	0	398,462	119,305	2,759,646
Fund balances:					
Reserved for:					
Debt service	0	137,500	61,716	0	199,216
Capital facility construction	0	4,559,427	0	0	4,559,427
Talented and gifted	11,056	0	0	0	11,056
Professional development	2,433	0	0	0	2,433
Market factor	4,082	0	0	0	4,082
Early intervention	681	0	0	0	681
Undesignated:					
General	256,986	0	0	0	256,986
Capital projects	0	553,532	0	0	553,532
Management levy	0	0	0	6,400	6,400
Physical plant and equipment levy	0	0	0	197,710	197,710
Other special revenue purposes	0	0	0	38,925	38,925
Total fund balances	275,238	5,250,459	61,716	243,035	5,830,448
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,517,117</b>	<b>5,250,459</b>	<b>460,178</b>	<b>362,340</b>	<b>8,590,094</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TREYNOR COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007

<b>Total fund balances of governmental funds (page 15)</b>	\$ 5,830,448
<b><i>Amounts reported for governmental activities in the statement of net assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	7,642,337
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(37,582)
Long-term liabilities, including bonds payable and compensated absences payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(8,794,733)</u>
<b>Net assets of governmental activities (page 13)</b>	<u><u>\$ 4,640,470</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TREYNOR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 1,281,541	412,893	398,235	115,811	2,208,480
Tuition	762,074	0	0	0	762,074
Other	67,764	32,426	2,989	186,894	290,073
State sources	2,376,295	0	214	63	2,376,572
Federal sources	77,328	0	0	0	77,328
Total revenues	4,565,002	445,319	401,438	302,768	5,714,527
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular instruction	2,563,608	0	0	0	2,563,608
Special instruction	337,545	0	0	0	337,545
Other instruction	251,455	0	0	171,889	423,344
	3,152,608	0	0	171,889	3,324,497
Support services:					
Student services	93,121	0	0	0	93,121
Instructional staff services	141,035	0	0	0	141,035
Administration services	466,336	0	0	0	466,336
Operation and maintenance of plant services	438,523	0	0	67,021	505,544
Transportation services	222,360	0	0	6,891	229,251
	1,361,375	0	0	73,912	1,435,287
Non-instructional programs	3,936	0	0	0	3,936
Other expenditures:					
Facilities acquisitions	0	441,050	0	7,303	448,353
Long-term debt:					
Principal	0	0	400,000	0	400,000
Interest and fiscal charges	0	66,618	185,542	0	252,160
AEA flowthrough	173,779	0	0	0	173,779
	173,779	507,668	585,542	7,303	1,274,292
Total expenditures	4,691,698	507,668	585,542	253,104	6,038,012
Excess(deficiency) of revenues over(under) expenditures	(126,696)	(62,349)	(184,104)	49,664	(323,485)
<b>OTHER FINANCING SOURCES(USES):</b>					
Transfer in	375	0	186,435	0	186,810
Transfer out	0	(186,435)	0	(375)	(186,810)
Issuance of general obligation bonds	0	4,700,000	0	0	4,700,000
Total other financing sources(uses)	375	4,513,565	186,435	(375)	4,700,000
Net change in fund balances	(126,321)	4,451,216	2,331	49,289	4,376,515
Fund balance beginning of year	401,559	799,243	59,385	193,746	1,453,933
Fund balance end of year	\$ 275,238	5,250,459	61,716	243,035	5,830,448

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TREYNOR COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds (page 17) \$ 4,376,515

**Amounts reported for governmental activities in the  
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year are as follows:

Expenditures for capital assets	\$ 429,101	
Depreciation expense	<u>(316,137)</u>	112,964

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayments of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	\$ (4,700,000)	
Repaid	<u>400,000</u>	(4,300,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(13,781)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences payable	\$ (9,733)	(9,733)
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Changes in net assets of governmental activities (page 14) \$ 165,965

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TREYNOR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2007

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 71,893
Inventories	6,124
Capital assets, net of accumulated depreciation (Note 5)	<u>26,182</u>
TOTAL ASSETS	<u>104,199</u>
LIABILITIES	
Unearned revenue	<u>4,614</u>
TOTAL LIABILITIES	<u>4,614</u>
NET ASSETS	
Invested in capital assets, net of related debt	26,182
Unrestricted	73,403
TOTAL NET ASSETS	<u><u>\$ 99,585</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TREYNOR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 206,562
TOTAL OPERATING REVENUES	<u>206,562</u>
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	81,521
Benefits	15,155
Services	1,419
Supplies	150,601
Depreciation	18,421
Other	78
TOTAL OPERATING EXPENSES	<u>267,195</u>
OPERATING LOSS	<u>(60,633)</u>
NON-OPERATING REVENUES:	
State sources	4,426
Federal sources	73,010
Interest income	302
TOTAL NON-OPERATING REVENUES	<u>77,738</u>
Change in net assets	17,105
Net assets beginning of year	<u>82,480</u>
Net assets end of year	<u>\$ 99,585</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TREYNOR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 208,036
Cash received from miscellaneous sources	3,140
Cash payments to employees for services	(112,063)
Cash payments to suppliers for goods or services	(131,864)
Net cash used in operating activities	<u>(32,751)</u>
Cash flows from non-capital financing activities:	
State grants received	4,426
Federal grants received	52,079
Net cash provided by non-capital financing activities	<u>56,505</u>
Cash flows from capital financing activities:	
Acquisition of assets	(2,763)
Net cash used in capital financing activities	<u>(2,763)</u>
Cash flows from investing activities:	
Interest on investments	302
Net cash provided by investing activities	<u>302</u>
Net increase in cash and cash equivalents	21,293
Cash and cash equivalents at beginning of year	<u>50,600</u>
Cash and cash equivalents at end of year	<u>\$ 71,893</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (60,633)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	20,931
Depreciation	18,421
Increase in inventories	(697)
Decrease in salaries and benefits payable	(15,387)
Increase in deferred revenues	4,614
Net cash used in operating activities	<u>\$ (32,751)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 71,893</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received  
Federal commodities valued at \$20,931.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.



TREYNOR COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2007

**(1) Summary of Significant Accounting Policies**

The Treynor Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Treynor, Iowa, and the predominate agricultural territory in Pottawattamie and Mills County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Treynor Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Treynor Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Pottawattamie and Mills County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation plus unspent bond proceeds reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Debt Service Fund is utilized to account for the payments of principal and interest on the District's general long-term debt.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses

generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-40 years
Land improvements	20 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

### **(2) Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 70,294

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

**(3) Transfers**

The detail of transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Capital Projects	Debt Service	\$ 186,435
General	Special Revenue, Student Activity	375
		<u>\$ 186,810</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(4) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07A	6/28/06	6/28/07	\$ 0	20,851	0	17,072
2007-08A	6/28/07	6/27/08	373,409	112	374,000	95
Total			<u>\$ 373,409</u>	<u>20,963</u>	<u>374,000</u>	<u>17,167</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its

General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. No ISCAP advance activity in the General Fund was noted for the year ended June 30, 2007.

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07A	4.500%	5.676%
2007-08A	4.500%	5.455%

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 180,051	70,350	0	250,401
Construction in progress	0	309,211	0	309,211
Total capital assets not being depreciated	180,051	379,561	0	559,612
Capital assets being depreciated:				
Buildings	9,409,581	0	0	9,409,581
Land improvements	500,606	12,400	0	513,006
Machinery and equipment	893,111	37,140	0	930,251
Total capital assets being depreciated	10,803,298	49,540	0	10,852,838
Less accumulated depreciation for:				
Buildings	2,534,735	231,890	0	2,766,625
Land improvements	316,895	11,425	0	328,320
Machinery and equipment	602,346	72,822	0	675,168
Total accumulated depreciation	3,453,976	316,137	0	3,770,113
Total capital assets being depreciated, net	7,349,322	(266,597)	0	7,082,725
Governmental activities capital assets, net	\$ 7,529,373	112,964	0	7,642,337
Business-type activities:				
Machinery and equipment	\$ 71,205	2,763	3,739	70,229
Less accumulated depreciation	29,365	18,421	3,739	44,047
Business-type activities capital assets, net	\$ 41,840	(15,658)	0	26,182



Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 34,112
Other	4,029

Support services:

Administration	2,950
Operation and maintenance of plant	3,245
Transportation	28,486
	<u>72,822</u>

Unallocated depreciation	<u>243,315</u>
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Total governmental activities depreciation expense	<u>\$ 316,137</u>
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Business-type activities:

Food services	\$ 18,421
Total business-type activities depreciation expense	<u>\$ 18,421</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 3,515,000	4,700,000	255,000	7,960,000	265,000
Revenue bonds	970,000	0	145,000	825,000	0
Compensated absences	0	9,733	0	9,733	9,733
Total	<u>\$ 4,485,000</u>	<u>4,709,733</u>	<u>400,000</u>	<u>8,794,733</u>	<u>274,733</u>

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonds, which is paid with property taxes levied in the Debt Service Fund, are as follows:

Year Ending June 30,	Bond Issue of May 1, 1998			Bond Issue of June 1, 2003		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2008	4.45 %	\$ 215,000	\$ 65,700	2.25 %	\$ 50,000	\$ 66,963
2009	4.50	225,000	56,132	2.55	55,000	65,688
2010	4.50	235,000	46,008	2.70	55,000	64,202
2011	4.55	245,000	35,432	3.05	60,000	62,525
2012	4.60	255,000	24,285	3.15	65,000	60,635
2013-2017	4.65	270,000	12,555	3.25-3.75	1,530,000	200,685
2018-2022	-	-	-	-	-	-
2023-2027	-	-	-	-	-	-
Total		<u>\$ 1,445,000</u>	<u>\$ 240,112</u>		<u>\$ 1,815,000</u>	<u>\$ 520,698</u>

Year Ending June 30,	Bond Issue of June 1, 2007			Total		
	Interest Rate	Principal	Interest	Principal	Interest	Total
2008	3.96 %	\$ -	\$ 170,186	\$ 265,000	\$ 302,849	\$ 567,849
2009	3.96	-	185,657	280,000	307,477	587,477
2010	3.96	-	185,657	290,000	295,867	585,867
2011	3.96	-	185,657	305,000	283,614	588,614
2012	3.96	-	185,657	320,000	270,577	590,577
2013-2017	3.96	-	928,290	1,800,000	1,141,530	2,941,530
2018-2022	3.96-4.00	2,105,000	773,280	2,105,000	773,280	2,878,280
2023-2027	4.00	2,595,000	320,400	2,595,000	320,400	2,915,400
Total		\$ 4,700,000	\$ 2,934,784	\$ 7,960,000	\$ 3,695,594	\$ 11,655,594

#### Revenue Bonds Payable

Details of the District's June 30, 2007 local option sales and services tax revenue bonded indebtedness, which is paid with Local Option Sales and Services Tax reported in the Capital Projects Fund, is as follows:

Year Ending June 30,	Bond Issue of July 1, 2003			
	Interest Rate	Principal	Interest	Total
2008	5.00 %	\$ -	\$ 18,805	\$ 18,805
2009	3.75	155,000	31,079	186,079
2010	4.00	160,000	24,972	184,972
2011	4.15	165,000	18,349	183,349
2012	4.25	170,000	11,313	181,313
2013	4.40	175,000	3,850	178,850
Total		\$ 825,000	\$ 108,368	\$ 933,368

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) The bonds will only be redeemed from the future earnings of the local option sales and services tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- b) A reserve will be maintained in the amount of \$137,500 to be used solely for the purpose of paying principal and interest in the event the local option sales and services tax revenues are not sufficient for that purpose.

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$161,410, \$148,465 and \$137,308 respectively, equal to the required contributions for each year.

**(8) Risk Management**

The Treynor Community School District is a member in the Iowa School Employees Benefits Association, fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: life and long-term disability.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2007 were \$5,491.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

Treynor Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$173,779 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Construction Commitments**

The District entered into various contracts totaling \$493,745 for a high school addition project. At June 30, 2007, \$309,211 of the contracts were completed. The remaining amounts of the contracts will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

TREYNOR COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2007

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Fund Types	Fund Type		Original	Final	
	Actual	Actual	Actual			
Revenues:						
Local sources	\$ 3,260,627	206,864	3,467,491	3,730,197	3,730,197	(262,706)
State sources	2,376,572	4,426	2,380,998	2,418,488	2,418,488	(37,490)
Federal sources	77,328	73,010	150,338	189,000	189,000	(38,662)
Total revenues	5,714,527	284,300	5,998,827	6,337,685	6,337,685	(338,858)
Expenditures:						
Instruction	3,324,497	0	3,324,497	3,943,144	3,943,144	618,647
Support services	1,435,287	0	1,435,287	1,751,831	1,751,831	316,544
Non-instructional programs	3,936	267,195	271,131	390,000	390,000	118,869
Other expenditures	1,274,292	0	1,274,292	1,421,925	1,421,925	147,633
Total expenditures	6,038,012	267,195	6,305,207	7,506,900	7,506,900	1,201,693
Excess(deficiency) of revenues over(under) expenditures	(323,485)	17,105	(306,380)	(1,169,215)	(1,169,215)	862,835
Other financing sources, net	4,700,000	0	4,700,000	0	0	4,700,000
Excess(deficiency) of revenues and other financing sources over(under) expenditures	4,376,515	17,105	4,393,620	(1,169,215)	(1,169,215)	5,562,835
Balance beginning of year	1,453,933	82,480	1,536,413	609,546	609,546	926,867
Balance end of year	\$ 5,830,448	99,585	5,930,033	(559,669)	(559,669)	6,489,702

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TREYNOR COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION



TREYNOR COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2007

	Nonmajor Special Revenue Funds			
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Nonmajor Special Revenue Funds
ASSETS				
Cash and pooled investments	\$ 5,855	38,925	196,980	241,760
Receivables:				
Property tax				
Delinquent	545	0	730	1,275
Succeeding year	70,000	0	49,305	119,305
TOTAL ASSETS	\$ 76,400	38,925	247,015	362,340
LIABILITIES AND FUND EQUITY				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ 70,000	0	49,305	119,305
	70,000	0	49,305	119,305
Fund equity:				
Fund balances:				
Unreserved, undesignated	6,400	38,925	197,710	243,035
TOTAL LIABILITIES AND FUND EQUITY	\$ 76,400	38,925	247,015	362,340

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TREYNOR COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2007

	Nonmajor Special Revenue Funds			
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Nonmajor Special Revenue Funds
REVENUES:				
Local sources:				
Local tax	\$ 70,122	0	45,689	115,811
Other	6,410	175,855	4,629	186,894
State sources	39	0	24	63
TOTAL REVENUES	76,571	175,855	50,342	302,768
EXPENDITURES:				
Current:				
Instruction:				
Other instruction	0	171,889	0	171,889
Support services:				
Operation and maintenance of plant services	67,021	0	0	67,021
Transportation services	6,891	0	0	6,891
Other expenditures:				
Facilities acquisitions	0	0	7,303	7,303
TOTAL EXPENDITURES	73,912	171,889	7,303	253,104
EXCESS OF REVENUES OVER EXPENDITURES	2,659	3,966	43,039	49,664
OTHER FINANCING USES:				
Transfer out	0	(375)	0	(375)
TOTAL OTHER FINANCING USES	0	(375)	0	(375)
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	2,659	3,591	43,039	49,289
FUND BALANCE BEGINNING OF YEAR	3,741	35,334	154,671	193,746
FUND BALANCE END OF YEAR	\$ 6,400	38,925	197,710	243,035

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TREYNOR COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama/Speech	\$ 10	458	458	10
Instrumental	10	7,400	7,400	10
Vocal	10	3,017	3,017	10
Student Council	2,775	9,985	12,443	317
FHA	20	0	0	20
Drill Team	5,235	9,341	9,378	5,198
National Honor Society	10	462	462	10
Cheerleaders	4,250	8,553	9,613	3,190
Yearbook	432	7,376	4,335	3,473
Class of 2004	239	0	52	187
Class of 2005	10	0	0	10
Class of 2006	126	0	0	126
Class of 2007	0	1,040	1,040	0
Class of 2008	0	11,708	10,557	1,151
Elementary (Student Leader)	15,366	26,559	27,849	14,076
Assemblies	395	5	0	400
Basketball	1,300	27,779	27,079	2,000
Football	1,901	24,356	22,287	3,970
Baseball/Softball	1,400	13,451	13,376	1,475
Track	10	8,923	8,008	925
Golf	250	1,343	843	750
Wrestling	56	3,406	2,962	500
Volleyball	1,100	9,282	9,382	1,000
Interest	32	1,361	1,383	10
Junior High Leadership	397	50	340	107
Total	\$ 35,334	175,855	172,264	38,925

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TREYNOR COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 2,208,480	2,033,246	1,928,566	1,937,575
Tuition	762,074	726,360	598,465	512,865
Other	290,073	260,551	271,575	298,695
State sources	2,376,572	2,204,865	2,110,861	1,926,400
Federal sources	77,328	81,748	115,777	67,217
Total	<u>\$ 5,714,527</u>	<u>5,306,770</u>	<u>5,025,244</u>	<u>4,742,752</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,563,608	2,254,870	2,158,717	1,970,457
Special instruction	337,545	284,127	241,717	269,001
Other instruction	423,344	410,782	362,745	374,006
Support services:				
Student services	93,121	89,597	85,197	82,558
Instructional staff services	141,035	122,009	113,293	59,035
Administration services	466,336	424,463	397,420	371,509
Operation and maintenance of plant services	505,544	485,050	391,884	365,371
Transportation services	229,251	218,758	200,794	191,367
Central support services	0	0	59,216	3,341
Non-instructional programs	3,936	15,388	0	3,300
Other expenditures:				
Facilities acquisitions	448,353	188,977	1,250,078	2,310,809
Long-term debt:				
Principal	400,000	520,000	360,000	220,000
Interest and fiscal charges	252,160	231,407	236,071	170,619
AEA flow-through	173,779	157,752	151,671	144,976
Total	<u>\$ 6,038,012</u>	<u>5,403,180</u>	<u>6,008,803</u>	<u>6,536,349</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
Treyner Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Treyner Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 18, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Treyner Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Treyner Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Treyner Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Treyner Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Treyner Community School District's financial statements that is more than inconsequential will not be prevented or detected by Treyner Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Treyner Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Treynor Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Treynor Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Treynor Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Treynor Community School District and other parties to whom Treynor Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Treynor Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 18, 2008

TREYNOR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the bank reconciliation, bank deposits, posting of cash receipts to the cash receipts journal and the recording, preparing and signing of checks are all being done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement whenever possible.

Conclusion - Response accepted.

- I-B-07 District and Regional Rents - We noted during our audit that the district receives money for use of facilities when hosting district and regional events.

Recommendation - Chapter 297.9 of the code of Iowa requires rent to be receipted into the General fund. The district should receipt rent collected for facility usage into the General fund.

Response - We will deposit an amount determined to be rental to the General Fund.

Conclusion - Response accepted.

- I-C-07 Graduated Class Accounts - We noted during our audit that the District has several past graduated class accounts in Student Activity Fund.

Recommendation - The old activity class accounts should be closed in the Student Activity Fund.

Response - All old activity class accounts will be closed.

Conclusion - Response accepted.

- I-D-07 Gate Admissions - The gate admissions were not reconciled to pre-numbered tickets.

Recommendation - The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the admissions to the number of tickets issued.

Response - We are implementing procedures to allow reconciliation of gate admissions to a great degree as possible.

Conclusion - Response accepted.

- I-E-07 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff. We also noted the wages for officiating are not added to the District employees W-2's or the District's 941's.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should also review its payroll procedures to ensure that supporting documentation is kept for all employees who receive checks. Wages received from officiating needs to be on the employee's W-2's and should be reported on the District's payroll reports.

Response - Our Activities Director will maintain a list of hours worked by non-certified staff coaches. Any employees who also function as officials are considered independent contractors.

Conclusion - Response acknowledged. It has been and continues to be the position of the Department of Education, as well as the Auditor of State, that additional payments to employees of a district who provide additional services to the district should be handled through the district's regular payroll process and reported wages on the employee's W-2. If the District believes as they state that the employees are independent contractors, the District should have individuals complete IRS form SS-8. Without this documentation, the District should include additional wages paid on the employees W-2.

- I-F-07 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - We will be more diligent in properly coding expenditures to the appropriate grant coding.

Conclusion - Response accepted.

- I-G-07 School Nutrition Fund Revenues - We noted during our audit that the District codes all Enterprise, School Nutrition Fund student sales and state and federal reimbursements through single revenue accounts. The Department of Education requires that school lunch, student breakfast and ala carte sales revenues be coded and tracked separately. The District also needs to record state and federal reimbursements to the proper accounts. The District currently does not reconcile student account balances with account deposits and to the unearned revenue balance on the balance sheet. All daily lunch sales revenues should be deposited into the unearned revenue account. When lunches are served, the balance of unearned revenue would be reduced and posted showing the revenue earned.

Recommendation - The District should begin coding and tracking student lunches, student breakfasts and ala carte sales separately. State and federal reimbursements should be reviewed to ensure proper receipt coding as well. In addition, the District should monitor student account balances posted as unearned revenue and reconcile this account on a monthly basis.



Response - We will code and track student lunches, student breakfasts and ala carte sales as separate items to the greatest degree possible. At the present time, no procedure is in place to track unearned revenue; however, proper determination of such revenue is being investigated to allow such a procedure.

Conclusion - Response acknowledged. The District needs to take steps to improve accounting for revenues in the Enterprise, School Nutrition Fund. Unearned revenue, student account balances need to be monitored and reconciled monthly to the general ledger.

- I-H-07 Cell Phone Allowance - We noted during our audit that the District was paying a flat monthly dollar allowance for cell phones for some employees.

Recommendation - Employees that receive allowances in conjunction with an unaccountable plan should go through the payroll process with the appropriate taxes withheld.

Response - Proper documentation of cell phone expenses will be obtained to support such reimbursements, or they will be included as payroll items.

Conclusion - Response accepted.

- I-I-07 Supporting Documents for Payments to Officials - Payments made to officials from the Student Activity Fund do not have supporting documentation.

Recommendation - The contract for each official should be used as the support for payment. The contract serves as a source of documentation for authorization of payment.

Response - The Activities Director is maintaining copies of all officiating contracts.

Conclusion - Response acknowledged. The District should retain as support for payment a contract, similar to other bills paid. Record retention and availability is the responsibility of the Board Secretary per Chapter 291.6 of the Code of Iowa.

- I-J-07 Photo Image Checks - We noted during our audit that District receives their checks from the bank as photo images showing only the front of the checks. Per Chapter 544D.114 of the Code of Iowa, the District is required to have retained both the front and back of check images.

Recommendation - The District should contact the bank to rectify the situation. The District should receive the photo images showing both the front and back of the checks or the original issued check.

Response - We have contacted the bank regarding front and back images of checks.

Conclusion - Response accepted.

- I-K-07 Controls over Blank Checks - We noted during our audit that some batches of blank Student Activity and Nutrition Fund checks were pre-signed. These checks were used to pay officials and other bills which need to be paid immediately. A list of the checks written is then given to the Board Secretary each month so they can be recorded in the general ledger. Some checks written in June were not recorded until July.

Recommendation - Pre-signed checks negate controls over the disbursement process and this process should be discontinued. Disbursements should be recorded when made in order to avoid timing difference in the General Ledger.

Response - We are changing our procedures to eliminate pre-signed blank checks.  
Disbursements will be reported on a current basis.

Conclusion - Response accepted.

TREYNOR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

II-A-07 Certified Budget - District disbursements for the year ended June 30, 2007, did not exceed the amount budgeted.

II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-07 Business Transactions - Business transactions between the District and District officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Neal Anderson, Board Member Owns Hawkeye State Construction	Purchased services	\$1,440
Gary Funkhouser, Board Member and Substitute Teacher	Substitute teaching	\$1,485
Gary Funkhouser, Board Member Spouse is a Substitute Teacher	Substitute teaching	\$160
Joshua Guttat, Board Member Spouse is a Substitute Teacher	Substitute teaching	\$399
Mike Travis, 6th Grade Teacher Owns Travis Turf	Grounds maintenance	\$5,288

In accordance with Attorney's General Opinion dated July 2, 1990, the above transactions with Mike Travis do not appear to represent a conflict of interest.

In accordance with Attorney's General Opinion dated November 9, 1976, the above transactions with the Board Member spouses do not appear to represent a conflict of interest.

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions with Neal Anderson and Gary Funkhouser do not appear to represent a conflict of interest.

II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - All board minutes are now transmitted to the publisher via e-mail and a dated record of the transmission is maintained, as recommended.

Conclusion - Response accepted.

II-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.